



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5654-N-02]

**Section 8 Housing Assistance Programs
Proposed Management and Occupancy Review Schedule**

AGENCY: Office of the Assistant Secretary for Housing – Federal Housing Commissioner.

ACTION: Notice.

SUMMARY: Through this notice, FHA solicits comment from interested members of the public on HUD's proposed Management and Occupancy Review (MOR) schedule for the seven project-based Section 8 programs administered by the Office of Multifamily Housing. This proposed schedule will reduce the frequency of unnecessary MORs, thereby minimizing interruptions in property operations created by onsite reviews, preserving staff time, and reducing costs. The proposed schedule ties the project's annual MOR rating with HUD's new risk-based asset management model rating to determine the frequency of a project's MOR. This proposed schedule is being published for comment concurrently with a proposed rule, found elsewhere in today's Federal Register, proposing to amend the program regulations to follow this MOR schedule or any subsequent MOR schedule published by HUD in the Federal Register.

DATES: Comment Due Date. **[Insert date that is 60 days after the date of publication in the Federal Register.]**

ADDRESSES: Interested persons are invited to submit comments regarding this rule to the Regulations Division, Office of General Counsel, 451 7th Street, SW, Room 10276, Department of Housing and Urban Development, Washington, DC 20410-0500. Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. Submission of Comments by Mail. Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

2. Electronic Submission of Comments. Interested persons may submit comments electronically through the Federal eRulemaking Portal at www.regulations.gov. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit comments, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the www.regulations.gov website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Note: To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the rule.

No Facsimile Comments. Facsimile (FAX) comments are not acceptable.

Public Inspection of Public Comments. All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. Eastern Time weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number through TTY by calling the Federal Relay Service at 800-877-8339. Copies of all comments submitted are available for inspection and downloading at www.regulations.gov.

FOR FURTHER INFORMATION CONTACT: For information about management and occupancy reviews contact Lauryn Alleva, Program Administration Office, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Washington, DC 20410-7000; telephone number 202-708-3730 (this is not a toll-free number). Hearing- and speech-impaired persons may access these numbers through TTY by calling the Federal Relay Service at 800-877-8339 (this is a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Background

Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) authorizes one of HUD's primary programs for providing rental housing assistance (Section 8). The purpose of Section 8 is to provide low-income families with decent, safe, and sanitary rental housing. There are seven project-based Section 8 Housing Assistance Payments (HAP) programs administered by the Office of Multifamily Housing: the HAP program for New Construction (24 CFR part 880) and the HAP program for Substantial Rehabilitation (24 CFR part 881), which provide rental assistance in connection with the development of newly constructed or substantially rehabilitated privately owned rental housing; the HAP Program for State Housing Agencies (24 CFR part 883); the HAP program for New Construction financed under Section 515 of the Housing Act of 1949 (24 CFR part 884), which applies to U.S. Department of Agriculture rural rental housing projects; the Loan Management Set Aside Program (24 CFR part 886, subpart A), which provides rental subsidies to HUD-insured or HUD-held multifamily properties experiencing immediate or potential financial difficulties; the Housing Assistance Program for the Disposition of HUD-Owned Projects (24 CFR part 886, subpart C), which provides Section 8 assistance in connection with the sale of HUD-owned multifamily rental housing projects and the

foreclosure of HUD-held mortgages on rental housing projects; and the Section 202/8 Program (24 CFR part 891, subpart E), which provides assistance for housing projects serving elderly or families and individuals with disabilities.

Under the Section 8 project-based program, HUD may enter into an annual contributions contract (ACC) with a public housing agency (PHA) through which HUD commits to provide the agency with funds to make housing assistance payments to a project owner. The PHA, acting as a contract administrator, then enters into a HAP contract with the owner. In certain circumstances HUD may act as the contract administrator, whereby HUD will directly enter into a HAP contract with an owner.

Contract administrators in the above-listed Section 8 programs are responsible for assessing the management and oversight of housing projects and for ensuring that owners comply with the requirements of the HAP contract. To assess an owner's compliance with the terms and conditions of its HAP contract, contract administrators are required under the terms of their ACCs to conduct MORs. Completion of MORs can require Contract administrators to visit the site and can cause interruption in project operations. The Contract administrator spends approximately 8 hours of staff time and additional resources to review every project. HUD has found that over the last three years projects have been rated "Above Average" or "Superior" 35 percent of the time, "Satisfactory" 57 percent of the time, and "Below Average" or "Unsatisfactory" eight percent of the time. A full or limited review of all projects, including those that consistently receive high ratings, puts a strain on HUD and project resources.

A proposed rule found elsewhere in today's Federal Register proposes to revise the regulations that govern MORs for Section 8 HAP projects to provide consistency across programs and allow HUD the flexibility to set a schedule that is more in-line with the needs of

the programs. Reducing the frequency of MORs for these properties would result in fewer interruptions in project operations and would allow HUD to focus its staff and resources on areas that require greater attention.

II. This Notice

This notice proposes to require MORs of projects on a schedule that is based on both the project's annual MOR rating and HUD's risk-based asset management model. The purpose of the MOR is to establish the quality of management at HUD subsidized projects, and to verify the project's compliance with the terms of the HAP Contract, any HUD Regulatory Agreement, and the Management Agreement and Management Plan, as applicable. The project's annual MOR rating, provided by the Contract administrator, assists HUD in its assessment of the project's risk of failure. Over the past two years, HUD has implemented a risk-based asset management model that incorporates the evaluation of both qualitative and quantitative elements into a comprehensive property level rating. The risk rating model helps HUD prioritize resources by identifying the risk of a project and the allocation of human capital to riskier assets. This rating translates to a classification of Troubled, Potentially Troubled, or Not Troubled (hereafter referred to as the risk classification).

The proposed Section 8 Housing Assistance Payments Program MOR schedule will use this new risk-based classification in combination with the previous MOR score to determine the future schedule of MORs for all Section 8 projects in the Office of Multifamily Housing's portfolio. HUD has found that when a project is performing well, risk of failure is lower. Additionally, the Office of Multifamily Housing has found that many of the properties receiving assistance under its Section 8 Housing Assistance Payments program receive high marks on the MOR annually indicating that conducting MORs annually is not necessary to mitigate risk at

these properties. Using this new MORs schedule, HUD may focus staff and resources on projects that warrant greater attention.

The schedule will be as follows: (1) Projects with a Below Average or Unsatisfactory score on the last MOR and a risk classification of Troubled, Potentially Troubled, or Not Troubled, must have a MOR within 12 months of the last MOR conducted at the project. (2) Projects with a Satisfactory score on the last MOR and a risk classification of Troubled or Potentially Troubled, must have a MOR within 24 months of the last MOR conducted at the project. Additionally, projects with an Above Average or Superior score on the last MOR and a risk classification of Troubled, must have a MOR within 24 months of the last MOR conducted at the project. (3) Projects with a Satisfactory score on the last MOR and a risk classification of Not Troubled, must have a MOR within 36 months of the last MOR conducted at the project. Additionally, projects with an Above Average or Superior score on the last MOR and a risk classification of Potentially Troubled or Not Troubled, must have a MOR within 36 months of the last MOR conducted at the project.

	Last MOR: Unsatisfactory	Last MOR: Below Average	Last MOR: Satisfactory	Last MOR: Above Average	Last MOR: Superior
Risk Classification: Troubled	Within 12 months	Within 12 months	Within 24 months	Within 24 months	Within 24 months
Risk Classification: Potentially Troubled	Within 12 months	Within 12 months	Within 24 months	Within 36 months	Within 36 months
Risk Classification: Not Troubled	Within 12 months	Within 12 months	Within 36 months	Within 36 months	Within 36 months

This notice does not restrict HUD or the Contract Administrator from conducting additional MORs outside of this schedule pursuant to existing and future administrative guidelines.

III. Findings and Certifications

Paperwork Reduction Act

The information collection requirements for this notice has been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0178. The collection requirement will be amended to reflect this notice's reduced burden. In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information, unless the collection displays a currently valid OMB control number.

This notice would amend the frequency of the Management and Occupancy Review (MOR) schedule for the seven project-based Section 8 programs listed-above. The collection title is, "Management Reviews of Multifamily Housing Programs" and the current burden is 8 hours for each of the 24,366 annual reviews, 194,928 total burden hours. This notice is estimated to reduce the burden in the existing information collection requirement as follows:

REPORTING AND RECORDKEEPING BURDEN:

Information Collection	Number of Respondents	Number of Annual Responses	Estimated Average Time for Requirement	Estimated Total Burden
<u>Current:</u> 2102-0178	24,366	24,366	8.00 hours	194,928 hours
<u>Proposed:</u> 2102-0178	21,680	6,598	8.00 hours	52,781 hours
Percentage of Burden Change		Estimated net reduction of burden.		73%

In accordance with 5 CFR 1320.8(d)(1), HUD is soliciting comments from members of the public and affected agencies concerning this collection of information to:

(1) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility.

(2) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information.

(3) Enhance the quality, utility, and clarity of the information to be collected.

(4) Minimize the burden of the collection of information on those who are to respond; including through the use of appropriate automated collection techniques or other forms of information technology (e.g., by permitting electronic submission of responses).

Interested persons are invited to submit comments regarding the information collection requirements in this rule. Comments must refer to the proposed rule by name and docket number (FR-5654-P-01) and must be sent to:

HUD Desk Officer
Office of Management and Budget
New Executive Office Building
Washington, DC 20503
Fax number: 202-395-6947

and

Reports Liaison Officer
Office of Housing
Department of Housing and Urban Development
451 7th Street, SW, Room 9128
Washington, DC 20410

Interested persons may submit comments regarding the information collection requirements electronically through the Federal eRulemaking Portal at

<http://www.regulations.gov>. HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Environmental Review

This notice provides operating instructions and procedures in connection with activities under provisions of Section 8 project-based assistance program regulations that have been the subject of a required environmental review. Accordingly, under 24 CFR 50.19(c)(4), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Dated: December 11, 2014

Biniam Gebre
Acting Assistant Secretary for
Housing- Federal Housing Commissioner

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[FR Doc. 2015-00353 Filed 01/13/2015 at 8:45 am; Publication Date: 01/14/2015]